

Assessment Period 3 (October 1st, 2019 – December 31st, 2019)

ClearBank – £60m Grant

UK SMEs have been underserved by the established banks for too long. The BCR is proving a powerful force for change providing a once-in-a-generation opportunity to unleash the full potential of the SME sector. CTBB is fully committed to being at the forefront of delivering this change.

We are pleased to report that CTBB had another quarter of strong progress and is fully on track to achieving its public commitments.

COMMITMENT TO OWN FUNDS CONTRIBUTION

CTBB is committed to supplementing the BCR award using our own funds to a value of at least 100% of the BCR grant, throughout the lifespan of the business plan.

The phasing of this contribution varies by business plan year and we project to be fully on track to achieve the proportionate contribution of own funds to BCR funds utilised for this year. ClearBank continues to show some of the strongest capital adequacy ratios. Its partner Tide has raised one of the largest Series B FinTech funding rounds in the UK of over £40m and has already begun deploying some of these funds to several BCR initiatives as well as growing the member base in line with the market share targets.

COMMITMENT TO MARKET SHARE

Building on its state-of-the-art business banking account, leveraging the SME-only Tide brand and building its current 1% market share, CTBB commits to implementing a powerful transformation initiative to:

ACHIEVE AT LEAST AN 8% BUSINESS CURRENT ACCOUNT MARKET SHARE BY 2023, thereby introducing much needed competition and contributing to breaking up the current oligopoly of the Big 4 banks.

SMEs are showing that they are ready for a change with large numbers signing up to CTBB. CTBB has seen strong growth and now has 131,610 members and a market penetration of 2.25%.

COMMITMENT TO THE TRANSFORMATION INITIATIVE

Transformation will require a concerted effort. More of the same business current account offers will not lead to the necessary shifts in market share, even if they are supported by better switching solutions. Recognising this need for a different approach to succeed, CTBB will achieve its market share objective through a set of powerful propositions to remove friction to switching, provide compelling attractors, and raise awareness of the superior CTBB business current account. CTBB will deliver full functionality under all grant

Our implementation is continuing to progress as planned.

(1) REMOVE FRICTION to selection of, and switching to, CTBB

- CTBB already offers a fast onboarding process that allows, for the majority of applicants, the opening of a business current account within minutes.

Following thorough research amongst the SME community, we have now enhanced this process to allow onboarding not only through the app but also through the web.

The SWITCHING PROPOSITION: MAKING BCA SWITCHING SIMPLE will build on Open Banking and CASS infrastructure to allow businesses to switch their current accounts easily. The switching proposition will allow even faster onboarding for existing businesses, trial switching, allowing closed account histories to be maintained, dedicated personal onboarding assistance and temporary pop-up onboarding stores.

The foundations have been put in place in 2019. Outbound Open Banking has been implemented, providing key elements required to ultimately access third party bank business current accounts through the Tide app. Special onboarding assistance has moved out of test & learn stage and is in progress of being materially scaled up.

(2) PROVIDE COMPELLING ATTRACTORS comprised of strong incentives to select and switch to CTBB

- CTBB already offers a strong set of solutions (CTBB Version 1) and, building on these, will develop four additional attractor propositions (CTBB Version 2) to make CTBB an even more compelling business current account partner for SMEs.

- **The STARTING-OUT PROPOSITION: OPENING YOUR BCA AS PART OF SETTING UP YOUR BUSINESS will provide strong incentives for new businesses to set up their business current account with CTBB. The starting-out proposition will allow registrations (company registration, tax registration etc.) to be undertaken as part of the business current account opening process.**

Scoping work on company registrations has been started.

- **The ADMINISTRATION PROPOSITION: SAVING YOU TIME BY SEAMLESSLY INTEGRATING TOOLS WITH YOUR BCA will reduce the estimated 48 days p.a. that a small business spends on administration by seamlessly connecting (via API) the BCA to solutions for accounting, payroll, invoicing, expense management, tax and other filings. This is particularly helpful for smaller businesses, which typically operate without a Finance or HR function. As part of the administration proposition, CTBB will offer a range of Tide-branded solutions (Tide Tools) as well as provide highly usable integrations to popular third party solutions (Tide Connect) deeply integrated with the business current account, building on the strong base of its existing functionality.**

Tide Tools for expense management and payroll were launched as planned in 2019. Scoping work on upgrades to invoicing features has been started.

- **The CREDIT PROPOSITION: OPTIMISING YOUR CASHFLOW USING BCA DATA.** According to the British Business Bank, lenders - while increasing net lending to medium-size businesses since Q3/14 - have actually reduced lending to smaller businesses despite unmet demand in excess of £5bn p.a. Much of the funding need of smaller businesses centres around cashflow. Recognising this need, the credit proposition will deliver a number of solutions tightly linked to the business current account to avoid cashflow issues (including invoice chasing, next-generation direct debit, and developing a Pay-On-Time rating), to protect against cashflow issues (by integrating with debtor insurance providers) and bridge cashflow (through working capital solutions, integrating the best providers and, with the SMEs' permission, providing lenders with transaction data available from the business current account)

No implementation was planned for new credit partners in Q4 2019. However, a significant number of discussions with lending partners are ongoing.

- **The ACQUIRING PROPOSITION: SAVING YOU MONEY BY OFFERING CARD ACCEPTANCE AS A BCA FEATURE.** Smaller businesses are currently charged excessive amounts for their card acquiring and see their funds settle after substantial delay. With the acquiring proposition, CTBB will deeply integrate acquiring with business current account offerings, at significantly reduced rates and with fast settlement

No implementation is planned for acquiring in 2019 in line with the original plan.

3) RAISE AWARENESS by extensively promoting the superior benefits of the CTBB business current account

- CTBB recognises that the best business current account will only be chosen by SMEs if the appropriate level of awareness is generated.
- CTBB is committed to spending a total of £70m to match the £60m in BCR grants – in addition to the planned current spend – to promote the business current account to achieve the target market share objective.

Marketing activity has been scaled up and has already increased awareness to 23%. This activity has encompassed digital channels as well as promotional activity outside of digital into Out-Of-Home (OOH) and limited radio and TV.

Co-investment is progressing as planned. The level of co-investment is directly related to the BCR funds used in a given period and scales over the five-year period (i.e. co-investment is higher, on a ratio basis, in year 5 than it is in year 1). In October 2019 Tide announced the first close of its Series B financing of £44.1m, £30m of which is attributable towards co-investment activity for the BCR.

COMMITMENT TO OPPORTUNITIES FOR PARTNERS

CTBB operates as a platform deploying solutions from the best partners in the industry.

CTBB commits to integrate at least 25 SME solution partners by 2023.

By the end of 2019 this number stood at 5. We are actively engaged with a number of parties already and continue to expect to meet this commitment.